



**City of Santa Barbara**  
Airport Department

**Memorandum**

**DATE:** October 20, 2010  
**TO:** Airport Commission  
**FROM:** Karen Ramsdell, Airport Director  
**SUBJECT:** 2010 Fiscal Year-End Financial Review

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**RECOMMENDATION:** That Airport Commission receive a report on the Airport Department's Fiscal Year 2010 Year-End Financial Review.

**Background**

Several economic assumptions were used in the preparation of the FY 2010 Airport Operating budget. Recognizing the continued restructuring and consolidation of the airline industry, an 8.5% decrease in passenger traffic was projected with associated impacts to concessions.

Similarly, with an increase in local vacancies for commercial and industrial rental properties, the Airport projected a 4.4% decrease in commercial/industrial rental income. Overall the budget was developed with conservative revenue projections.

Realistic operating expense and cost reductions where feasible were also a major consideration in preparation of the FY 2010 budget.

**Expenditures**

The Fiscal Year 2010 Operating Budget with carry forward expenses (encumbered contracts from prior year) totaled **\$11,849,958**. Year end expenses came in 4.4% under budget at **\$11,351,895**. The 2010 actual expenditures were 4.5% below FY 2009, and 2.3% below FY 2008. Major savings were noted in salaries and benefits, supplies and services, and special projects.

**Salaries and Benefits** were 3.4% below budget with vacant positions in Patrol. Patrol vacancies are being covered with overtime and hourly employees. Also, salaries for administrative and maintenance staff had additional savings of \$115,172 from a 5% mandatory furlough.

The costs for the two intra-department employee agreements, Aircraft Rescue and Fire Fighting (ARFF) and Public Works Engineering, are contained under **Supplies and Services**. Overall supplies and services expense was 9.2% below budget with savings in chemical and landscape supplies and facilities maintenance, utilities were below budget with the largest savings under water usage. Engineering costs for the two on-site Public Works engineers was under budget by 2.7%.

Fire Department costs for the nine **ARFF** positions were more than budget with a 2.73% increase due to salary, overtime and benefit costs. Annually, the ARFF budget is reconciled and any expenses over the budget are allocated back to the appropriate account. The largest variance for ARFF was in the Salaries line item at \$17,508; the second largest variance was in Overtime line item at \$15,498. This variance is primarily the result of incurring overtime in order to maintain constant minimum staffing of 3 firefighters at all times. There was also higher than usual sick leave loss due to injury hours at Station 8 in FY 2010. ARFF total expense in FY 2010 was 9.3% greater than in FY 2009.

**Allocated costs** for the year also came in slightly under budget; and when compared with FY 2009 costs were down 16.1%.

While the day-to-day expenditures for the public parking operation are included under the Supplies and Services category, the expenses for the parking shuttle operation managed by AMPCO, the parking management company, are located in the **Special Projects** line item so that costs could be monitored. The total year-to-date amount of \$607,062 is 22.4% below budget due to savings in equipment maintenance and fuel.

## **Revenues**

Total Airport Department revenues for the fiscal year are **\$12,788,117** or 2.8% (\$347,439) over budget of \$12,440,678. However, revenues for this period are -1.9% (\$246,586) below the same period in 2009, and -8% or \$1,018,947 below FY 2008.

**Commercial/Industrial** revenue exceeded budget by 6.8% with a total rental income of \$4,157,313. The Airport is fortunate to have many long-standing tenants. With the current economic situation it is prudent to retain as many tenants as possible in order to maintain our commercial-industrial revenue stream. To assist with retention, Airport Commission authorized a moratorium for all rental increases on month-to-month tenants during the period September 1, 2009 to August 31, 2010. Additionally, staff worked with tenants on term lease amendments to accommodate premises changes and associated rental reduction, when possible.

**Non-Commercial Aviation** revenue achieved a 10.3% positive variance reflecting an increase in corporate and general aviation activity. Two changes took place in this category during the fiscal year. First, a general aviation landing fee was imposed in

January 2010 for all transient aircraft with landed weights over 10,000 pounds and all Part 135 operations on and off the field. Secondly, in April a “self-service” general aviation fuel facility opened which has generated an increase in small aircraft activity.

The **Airline Terminal** revenues, \$4,777,790, almost made target, but were .84% below. Passenger traffic for the fiscal year declined 4%. Since public parking is tied directly to passenger traffic, revenues were down 3.8%. Concession revenues, however, exceeded budget by 18.9% based on the relocation of the gift shop. The upstairs restaurant continues to struggle since the entrance is visually blocked by the TSA equipment.

**Commercial Aviation** revenue includes Airline Terminal building rental and landing fees for the commercial airlines and airfreight. Overall revenue is \$2,146,494 or 1.6% above target. The Airline Terminal annual square footage rental rate and landing fees were held at the same level as the prior year.

**Other** revenue is below budget due to interest income which fell 10.2% below budget target. Reimbursements from the **Transportation Security Administration** for payment of security checkpoint costs slightly exceeded projections as did other revenue by 27.2%.

### **Budget Subcommittee**

The Commission Budget Subcommittee met on September 27, 2010, and received a report on the Department's year end report. Due to the increased costs of Aircraft Rescue and Fire Fighting (ARFF), the Subcommittee requested that the staff report include additional details on the cost overruns.

### **Summary**

Notwithstanding the current economic climate, the Airport managed to meet its operational and capital needs for FY 2010 and has registered an overall increase of 2.8% while curbing expenditures reflecting savings of \$498,062.

CITY OF SANTA BARBARA  
Airport Operating Fund  
Financial Report  
For Month Ended 6/30/10 (100% of Fiscal Year)

**FINAL**

	Actual	Adopted	Adopted	Adopted	Current Y-T-D		
	FY 09	Budget	Budget with Carry Forwards	Budget with Carry Forwards	12 mos.	\$	%
Operating Revenue	Actual	2010	2010	2010-100% of Fiscal Year	Actual	Variance	Variance
Leases							
Commercial & Industrial	\$ 4,225,643	\$ 3,893,750	\$ 3,893,750	\$ 3,893,750	\$ 4,157,313	\$ 263,563	6.8%
Non-Commercial Aviation	1,217,795	1,110,675	1,110,675	\$ 1,110,675	1,224,915	\$ 114,240	10.3%
Terminal							
Rental Cars	1,908,093	1,966,050	1,966,050	\$ 1,966,050	2,011,034	44,984	2.3%
Parking	2,681,217	2,750,000	2,750,000	\$ 2,750,000	2,645,252	(104,748)	-3.8%
Concessions	119,721	102,200	102,200	\$ 102,200	121,504	19,304	18.9%
Terminal sub-total	\$ 4,709,031	\$ 4,818,250	\$ 4,818,250	\$ 4,818,250	\$ 4,777,790	\$ (40,461)	-0.84%
Commercial Aviation							
Building	1,130,906	1,211,851	1,211,851	1,211,851	1,118,064	(93,787)	-7.7%
Landing Fees	993,767	866,500	866,500	866,500	994,224	127,724	14.7%
Landing Fees (Freight/Charter)	47,545	35,100	35,100	35,100	34,206	(894)	-2.5%
Commercial aviation sub-total	2,172,218	2,113,451	2,113,451	2,113,451	2,146,494	33,043	1.6%
Total Leases	\$ 12,324,687	\$ 11,936,126	\$ 11,936,126	\$ 11,936,126	\$ 12,306,512	\$ 370,386	3.10%
Other							
Interest Income	488,458	310,000	310,000	310,000	278,238	(31,762)	-10.2%
TSA Reimbursement	162,838	163,052	163,052	163,052	163,286	234	0.1%
Other	58,719	31,500	31,500	31,500	40,081	8,581	27.2%
Other sub-total	710,016	504,552	504,552	504,552	481,605	(22,947)	-4.55%
<b>Total Operating Revenue</b>	<b>\$ 13,034,703</b>	<b>\$ 12,440,678</b>	<b>\$ 12,440,678</b>	<b>\$ 12,440,678</b>	<b>\$ 12,788,117</b>	<b>\$ 347,439</b>	<b>2.8%</b>
<b>Operating Expenses</b>							
Salaries & Benefits	\$ 4,654,810	\$ 4,904,411	4,904,411	4,904,411	\$ 4,743,101	\$ (161,310)	-3.4%
Furlough Savings		\$ (123,465)	(123,465)	(123,465)	\$ (115,172)	\$ 8,293	-7.2%
Supplies & Services (1)	3,029,122	2,572,745	2,916,809	2,916,809	2,672,176	\$ (244,633)	-9.2%
ARFF	1,616,556	1,719,509	1,719,509	1,719,509	1,766,450	\$ 46,941	2.7%
Engineering	361,509	345,282	345,282	345,282	339,508	\$ (5,774)	-1.7%
Special Project (2)	582,234	742,838	742,838	742,838	607,062	\$ (135,776)	-22.4%
Equipment	102,837	34,212	34,212	34,212	28,377	\$ (5,835)	-20.6%
Allocated Costs	1,520,966	1,310,362	1,310,362	1,310,362	1,310,394	\$ 32	0.0%
<b>Total Operating Expenses</b>	<b>\$ 11,868,034</b>	<b>\$ 11,505,894</b>	<b>\$ 11,849,958</b>	<b>11,849,958</b>	<b>\$ 11,351,895</b>	<b>\$ (498,062)</b>	<b>-4.4%</b>
Net operating gain / (loss)	\$ 1,166,669	\$ 934,784	\$ 590,720	\$ 590,720	\$ 1,436,221	\$ 845,501	

Notes:

AOA Badging income included under Other

